■INTERVIEW - Poland-based INVI To Invest up to $100 Mln in SEE

By Andreana Todorova

SOFIA (Bulgaria), September 26 (SeeNews) - Polish-based real estate consulting and design services company INVI plans to set up next year a $500 million (392.3 million euro) real estate investment fund that will invest up to one-fifth of its resources in southeastern Europe, a senior company official said.

"It will be a Swiss fund […] and we will be focusing on markets that are not only southeastern Europe but they would include places like Brazil, Morocco, southeastern Europe, central Europe and points east like Ukraine and Kazakhstan. […] A portion of this fund is going to be used in southeastern Europe, probably about up to $100 million," INVI president Guy Perry told SeeNews in a recent interview.

Perry said the investment fund will seek financial support from leading banks, which are global players in the target markets.

"There's plenty of money for development all over the world, […] but you have to have a good site, a good project and a good local partner and […] in places like Ukraine, Bulgaria, Romania, Serbia and Montenegro, there are very few situations where these three come together," Perry said.

The company will invest on a project base, rather than on a country base, and it will specialise in mixed use projects, aiming to create a balanced portfolio of socially and environmentally sustainable projects, Perry added.

GROWTH POTENTIAL, CORRECTION OF THE SEE MARKET SEEN

Perry said real estate markets in southeastern Europe are an attractive investment target, as they are expected to provide good return on investment, while they follow rapidly the evolution of central European markets.

Bulgaria and Montenegro's untapped markets have the highest investment potential in the region, said Perry. He said Bulgaria offered the best balance of high returns and good market and could benefit from its proximity to Turkey, which has well-developed sea resorts.

Montenegro, he added, can become a top tourist destination, as its beautiful environment has not been on anyone's radar screens, provided that the government is stable and has proper development policy.

The main driving force behind the rapid growth of the SEE real estate markets is the people's need for an increased standard of living. "People basically want to go from the old socialist housing to something that is of better quality," said Perry.

However, SEE countries have to learn from other countries' experience and not allow overbuilding of attractive areas, Perry added.

Bulgaria, which hopes to join the EU in 2007, is famous for its Black Sea resorts of Albena, Zlatni Pyasatsi and Slanchev Bryag. They attract a rising number of foreign tourists every year, but tour operators have repeatedly warned that the large-scale and almost unrestrained construction of hotels at the seaside in the past three years has started to turn the resorts into a poorly managed habitat with inadequate infrastructure facilities.

Perry said he expected the average return on the fund's investments in the southeast European region to be around 20% but added some of the countries will see a fall in property prices in the short term.

"You have prices for land in Sofia and Bucharest significantly higher than in Warsaw, […] they will absolutely drop," he said.

MALLING AND DE-MALLING

Retail buildings will be a good investment in the SEE region, Perry said but added the shopping mall format, which is gaining popularity in the region, has uncertain prospects. Customers' preferences in more mature markets now lean towards outdoor shopping and malls have also proved not to be cost effective.

"I would be cautious of the mall format, because it's an obsolete format in North America and in western Europe, we don't build malls in North America and western Europe anymore, so I'm very skeptical of the long term value of a mall in southeastern Europe. […] America is de-malling," Perry said.

Bulgaria and fellow EU candidate Romania, which also hopes to join the bloc in 2007, have witnessed a rapid development of shopping malls in the past few years, especially in their capital cities. Three malls opened in Sofia this year, and more than 10 operate in Bucharest.

"So why are we putting these kinds of old developments into a market that will never catch up by only following?" Perry said.

SEE economies are too fragile to afford to make the mistakes of western economies and they have to take a shortcut, he said.

($ = 0.7878 euro)

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